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**THE IMPACT OF HIGH GASOLINE PRICES IN
THE PORTLAND-VANCOUVER AREA**

PREPARED FOR

REP. BRIAN BAIRD

AND

REP. EARL BLUMENAUER

THE IMPACT OF HIGH GASOLINE PRICES IN THE PORTLAND-VANCOUVER AREA

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EXECUTIVE SUMMARY

Five years ago, on May 16, 2001, President Bush and Vice President Cheney unveiled the Administration's new energy plan. Five years later, over 95% of the recommendations in the energy plan have been implemented. Yet Americans continue to face rising energy costs, while the nation's dependence on foreign oil reaches record levels.

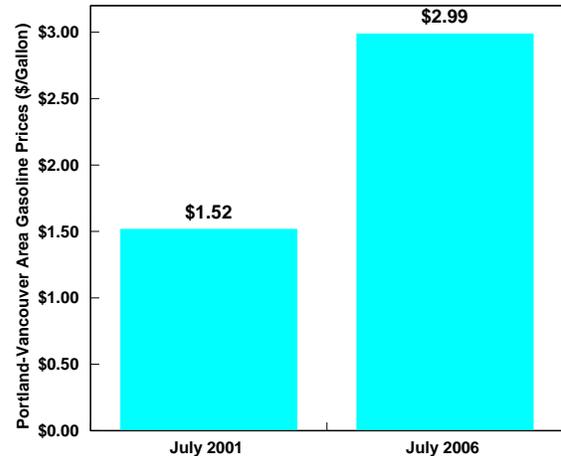
At the request of Rep. Brian Baird and Rep. Earl Blumenauer, this report analyzes what has happened in the Portland-Vancouver Area to the cost of one key energy source — gasoline — since the release of the Administration's energy plan. It finds that:

Gasoline prices in the Portland-Vancouver Area gasoline prices have risen rapidly.

Average gasoline prices in the Portland-Vancouver Area have increased for four straight years. Gasoline that cost \$1.52 per gallon in July 2001 costs \$2.99 per gallon this week. This price increase is seven times faster than the rate of inflation. Moreover, in the wake of recent shutdowns of BP's Alaska pipeline, prices are expected to move higher still, with some analysts predicting prices as high as \$4.00 per gallon.

High gas prices are costing area drivers hundreds of millions of dollars. In 2006, Portland-Vancouver families will use an estimated 600 million gallons of gasoline — and will pay a total of \$750 million more on gasoline this year than they paid five years ago.

Portland-Vancouver Area Gas Prices Have Almost Doubled Since 2001



The high prices will cost the average Portland-Vancouver area family more than \$1,200 extra. The average two-car family in the Portland-Vancouver area will pay an estimated \$1,230 more for gasoline this year than they would have paid in 2001.

BACKGROUND

In 2000, Texas Governor George W. Bush made energy policy an important plank of his campaign for President. He released a “Comprehensive National Energy Policy” which asserted that America was “paying a steep price” under the Clinton Administration’s energy policy.¹ And he stated:

Let me put this plainly: oil consumption is increasing. Our production is dropping. Our imports of foreign oil are skyrocketing. And this Administration has failed to act.²

On January 29, 2001, just nine days after his inauguration, President Bush placed Vice President Cheney in charge of a task force to develop a new national energy policy.³ Over the next three and a half months, the Vice President’s energy task force developed an energy policy largely in secret. According to the Government Accountability Office, the task force met with “petroleum, coal, nuclear, natural gas, and electricity industry representatives and lobbyists.”⁴ The task force did not have any substantive meeting with environmental or energy conservation advocates.

On May 16, 2001, President Bush and Vice President Cheney released the national energy policy assembled by the Vice President’s task force.⁵ In announcing the energy plan, the President asserted: “If we fail to act on this plan, energy prices will continue to rise. . . . If we fail to act, our country will become more reliant on foreign crude oil, putting our national energy security into the hands of foreign nations.”⁶

The Administration’s energy policy included 105 recommendations.⁷ Virtually all of these have now been implemented. In March 2005, Energy Secretary

¹ Governor George W. Bush, *A Comprehensive National Energy Policy* (Sept. 29, 2000).

² *Id.*

³ White House, *Remarks by the President at Energy Policy Meeting* (Jan. 29, 2001) (online at <http://www.whitehouse.gov/news/releases/20010129-1.html>).

⁴ U.S. General Accounting Office, *Energy Task Force: Process Used to Develop the National Energy Policy* (Aug. 2003) (GAO/03-894).

⁵ White House, *Remarks by the President to Capital City Partnership* (May 17, 2001) (online at <http://www.whitehouse.gov/news/releases/2001/05/20010517-2.html>).

⁶ White House, *supra* note 5.

⁷ Congressional Research Service, *Bush Energy Policy: Overview of Major Proposals and Legislative Action*, 2 (Aug. 22, 2001) (online at <http://www.fas.org/spp/civil/crs/RL31096.pdf>).

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Bodman stated: “we have implemented 95 percent of those recommendations.”⁸ Four months later, Congress passed energy legislation that enacted the recommendations that required new legislation.

When President Bush signed the energy legislation into law, he claimed that “the Energy Policy Act of 2005 is going to help every American who drives to work, every family that pays a power bill, and every small business owner hoping to expand.”⁹ Republican congressional leaders made similar promises. Dennis Hastert, the Speaker of the House, claimed that the bill would “addres[s] the burden that higher gasoline prices place on American consumers,” “alleviate” high natural gas prices, and guarantee the American people “an affordable, reliable, efficient, and environmentally sound supply of energy.”¹⁰

PURPOSE AND METHODOLOGY

At the request of two members of the House of Representatives — Rep. Brian Baird, who represents the 3rd Congressional District of Washington, and Rep. Earl Blumenauer, who represents the 3rd Congressional District of Oregon — this report analyzes what has happened to gasoline prices in the Portland-Vancouver area since the Bush Administration’s energy policy was announced on May 16, 2001.

The report relies primarily on data and analysis published by the Oil Price Information Service (OPIS) and the U.S. Energy Information Administration (EIA). OPIS is a private firm that publishes daily information on gasoline prices in U.S. metropolitan regions. EIA is an independent agency of the U.S. Department of Energy that publishes annual information on gasoline prices and projections of future gasoline prices.

The report also uses data from the Federal Highway Administration that tracks fuel usage and driving patterns at the state and local level. This data is used to estimate total gasoline usage for the state and for its metropolitan areas. Total changes in spending on gasoline are determined by multiplying the estimated change in gasoline prices between 2001 and 2006 by the estimated amount of gasoline that will be used in the state and its metropolitan areas.

⁸ White House, *Ask the White House Interactive Forum with Samuel Bodman* (Mar. 9, 2005) (online at <http://www.whitehouse.gov/ask/20050309.html>).

⁹ White House, *President Signs Energy Policy Act* (Aug. 8, 2005) (online at <http://www.whitehouse.gov/news/releases/2005/08/20050808-6.html>).

¹⁰ *Statement of Speaker of the House Dennis Hastert*, Congressional Record at H6960 (Jul. 28, 2005).

FINDINGS

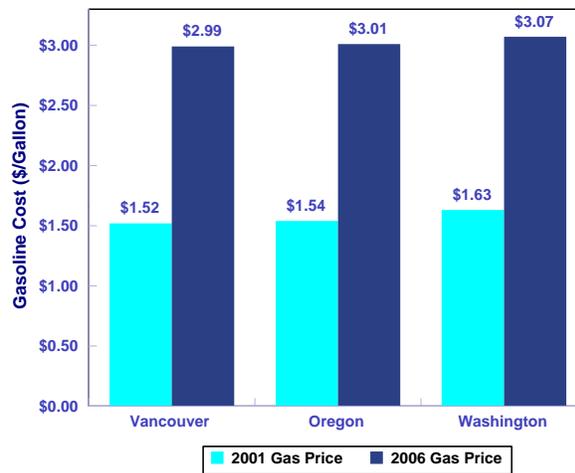
Gasoline Prices in the Portland-Vancouver Area Have Increased Rapidly

Over the last five years, the price of gasoline in the Portland-Vancouver area has risen rapidly. Five years ago, in July 2001, just months after President Bush and Vice President Cheney announced the Administration’s energy policy, gasoline prices in the region were \$1.52 per gallon.¹¹

This week, the average price of gasoline in the region is \$2.99 per gallon, a near record.¹² This is 97% higher than gasoline prices five years ago. The increase in gasoline prices over the last five years has been seven times higher than the core inflation rate, which increased by 13.8% over this same period.¹³

Statewide, drivers in Oregon and Washington have seen similar price increases. In Oregon, gasoline prices have increased by 92%, from \$1.55 per gallon in July 2001 to \$3.01 per gallon this week.¹⁴ In Washington, gasoline prices have increased by 87%, from \$1.63 per gallon in July 2001 to \$3.07 per gallon this week.¹⁵

Figure 1: Portland-Vancouver Area Gasoline Prices Have Increased Rapidly



¹¹ .Oil Price Information Service, *Weekly Metropolitan Area Gasoline Prices* (2001 - 2006).

¹² AAA, *Daily Fuel Gauge Report* (Aug. 9, 2006) (online at www.fuelgaugereport.com)

¹³ Bureau of Labor Statistics, *Consumer Price Index, All Urban Consumers, All Items Less Food and Electricity* (July 2006).

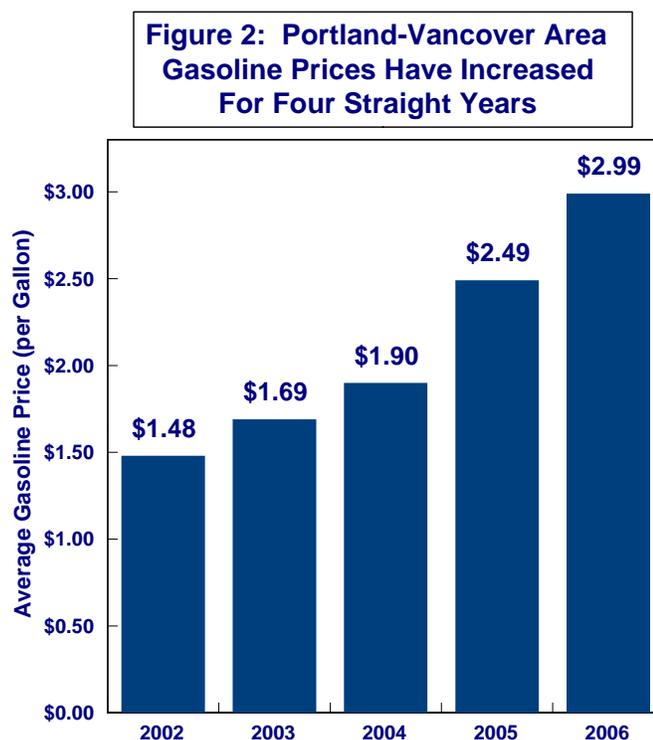
¹⁴ Energy Information Administration, *Gasoline Prices by Formulation, Grade, Sales Type: State Retail Gasoline Sales by All Sellers* (2006).

¹⁵ *Daily Fuel Gauge Report*, *supra* note 12.

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Gasoline prices in the Portland-Vancouver area have now increased for four consecutive years. In July 2002, gasoline cost an average of \$1.48 per gallon in the state. Average costs increased to \$1.69 in July 2003, \$1.90 in July 2004, \$2.49 in July 2005, and \$2.99 in this week. Figure 2.

Statewide gasoline prices have followed a similar pattern. In July 2002, gasoline cost an average of \$1.51 in Oregon. Prices increased to \$1.64 in 2003, \$1.99 in 2004, \$2.38 in 2005, and \$3.01 this week.¹⁶ In Washington, gasoline cost an average of \$1.58 in July 2002. Prices increased to \$1.69 in 2003, \$2.07 in 2004, \$2.45 in 2005, and \$3.07 this week.¹⁷



Moreover, gasoline prices are expected to move even higher over the next several weeks and months. On August 6, 2006, oil giant BP announced the shutdown of an Alaska pipeline responsible for providing 8% of domestic oil supplies. As a result of this shutdown, Washington and Oregon — which have no pipelines to oil supplies from other sources — are expected to see rapidly increasing prices, with gasoline reaching record highs and some analysts “hint[ing] that gasoline could reach \$4 a gallon in the Pacific Northwest.”¹⁸

¹⁶ Oil Price Information Service, *Weekly Metropolitan Area Gasoline Prices* (2001).

¹⁷ *Id.*

¹⁸ *Coming Soon: Gas-Price Jump*, Seattle Times (Aug. 8, 2006).

High Gasoline Prices Will Cost the Portland-Vancouver Area Drivers Millions of Dollars

The U.S. Energy Information Administration has predicted that gasoline prices will remain at or near record high levels through the summer, making 2006 the third consecutive year of record prices.¹⁹ Overall, EIA predicts that the nationwide average gasoline prices in 2006 will be \$2.72 per gallon, \$1.26 per gallon higher than prices in 2001. These cost increases will have a major financial impact on families in the Portland – Vancouver area.

Statewide, Washington drivers will use an estimated 2.8 billion gallons of gasoline in 2006. This gasoline will cost drivers an estimated \$290 million more per month than it would have cost five years ago. This represents an annual cost increase of \$3.5 billion. Similarly, Oregon drivers will use an estimated 1.6 billion gallons of gasoline in 2006.²⁰ This gasoline will cost drivers an estimated \$167 million more per month than it would have cost five years ago. This represents an annual cost increase of \$2.0 billion.

Approximately 14% of the gasoline used in Oregon and Washington is used in the Portland-Vancouver area.²¹ If gasoline prices in the region are as high as predictions indicate, increased gasoline prices will cost area drivers an additional \$62 million monthly compared to what they would have paid in 2001. Over the full year, the increased cost for Portland-Vancouver area drivers would be an estimated \$750 million.

High Gasoline Prices Will Cost Individual Families Over \$1,200 Dollars Each

There are 4.5 million drivers in Washington.²² On a per-driver basis, the increased gasoline prices will cost the average driver in the state approximately

¹⁹ Energy Information Administration, *U.S. Energy Prices: Base Case* (August 2006).

²⁰ The latest statewide data available from the Federal Highway Administration is for 2004. This data shows that drivers in Washington purchased 2.7 billion gallons of gasoline in 2004 and that drivers in Oregon purchased 1.56 billion gallons of gasoline in 2004. FHWA, *2004 Monthly Motor Fuel Use Reported by States* (Nov. 2004). According to the Energy Information Administration, gasoline use will increase by approximately 2% between 2004 and 2006. Energy Information Administration, *supra* note 14. A 2% increase in gasoline would result in Washington's drivers using 2.8 billion gallons of gasoline in 2006 and Oregon's drivers using 1.6 billion gallons of gasoline in 2004.

²¹ Federal Highway Administration data indicates that 14% of all vehicle miles traveled in Arkansas are in the Jonesboro (Washington?). Federal Highway Administration, *Highway Statistics, 2003* (2005).

²² Federal Highway Administration, *Highway Statistics, 2004* (2005).

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\$780 more this year than the average driver would have spent for the same quantity of gasoline five years ago. An average two-car family in Washington will spend an additional \$1,560 on gasoline during 2006.

There are 2.6 million drivers in Oregon.²³ On a per-driver basis, the increased gasoline prices will cost the average driver in the state approximately \$765 more this year than the average driver would have spent for the same quantity of gasoline five years ago. An average two-car family in Oregon will spend an additional \$1,530 on gasoline during 2006.

There are an estimated 1.2 million drivers in the Portland-Vancouver area.²⁴ On a per-driver basis, the increased gasoline prices will cost the average driver in the area approximately \$615 more in fuel costs this year than five years ago. An average two-car family in the region will spend an additional \$1,230 on gasoline this year. Table 1.

Table 1: Impact of Increased Gasoline Prices on Families in Washington and Oregon		
Region	Annual Aggregate Increased Cost	Annual Cost Increase Per Family
Oregon	\$2.0 billion	\$1,530
Washington	\$3.5 million	\$1,560
Portland-Vancouver Area	\$750 million	\$1,230

CONCLUSION

President Bush and Vice President Cheney released the Administration's energy policy on May 16, 2001. This analysis of gas prices in the Portland-Vancouver area finds that in the five years since this policy was unveiled, gasoline prices in the region have gone up by 97%, seven times faster than the inflation rate. As a result of these rapid price increases, Portland-Vancouver area families will pay an estimated total of \$750 million more for gasoline this year than they would have in 2001. The average family in the Portland-Vancouver Area will pay \$1,230 more for gasoline this year than five years ago.

²³ *Id.*

²⁴ Federal Highway Administration data show that there are approximately 730 registered drivers for every 1,000 individuals in Washington and Oregon. *Id.* Assuming this ratio applies to the population of the Portland-Vancouver area, which is 1.7 million, there would be 1.2 million drivers in the region.